

the **G**reenskeeper Inc.

Annual Report
1975





Executive Offices :

39 Enterprise Road, Rexdale, Ontario M9W 1C4 (416) 249-7114

OFFICERS AND DIRECTORS

RICHARD SNIDERMAN, C.A., Dundas, Ontario
Chairman of the Board, Treasurer and Director

HARRY ROSENBERG, Hamilton, Ontario
President, Director

SAM NORMAN FILER, Willowdale, Ontario
Director, Assistant Secretary

RALPH ORMAN, Dundas, Ontario
Director

MORT GUNTER, Hamilton, Ontario
Director

MELVIN GUNN, Burnaby, B.C.
Director

NORMAN L. WINTON, Thornhill, Ontario
Director

NATHAN LANGSNER, Hamilton, Ontario
Secretary, Director

HENRY VINE, C.A., Hamilton, Ontario
Director

PAUL HANOVER, Hamilton, Ontario
Director

AUDITORS

Coopers & Lybrand, Chartered Accountants
Hamilton, Ontario

SOLICITORS

Day, Wilson, Campbell
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada

DIVISIONS

Lawn-A-Mat of Canada

Eastern Greenhouses

Retail Stores

Canada Green, Publishing

Tropical Plant Leasing

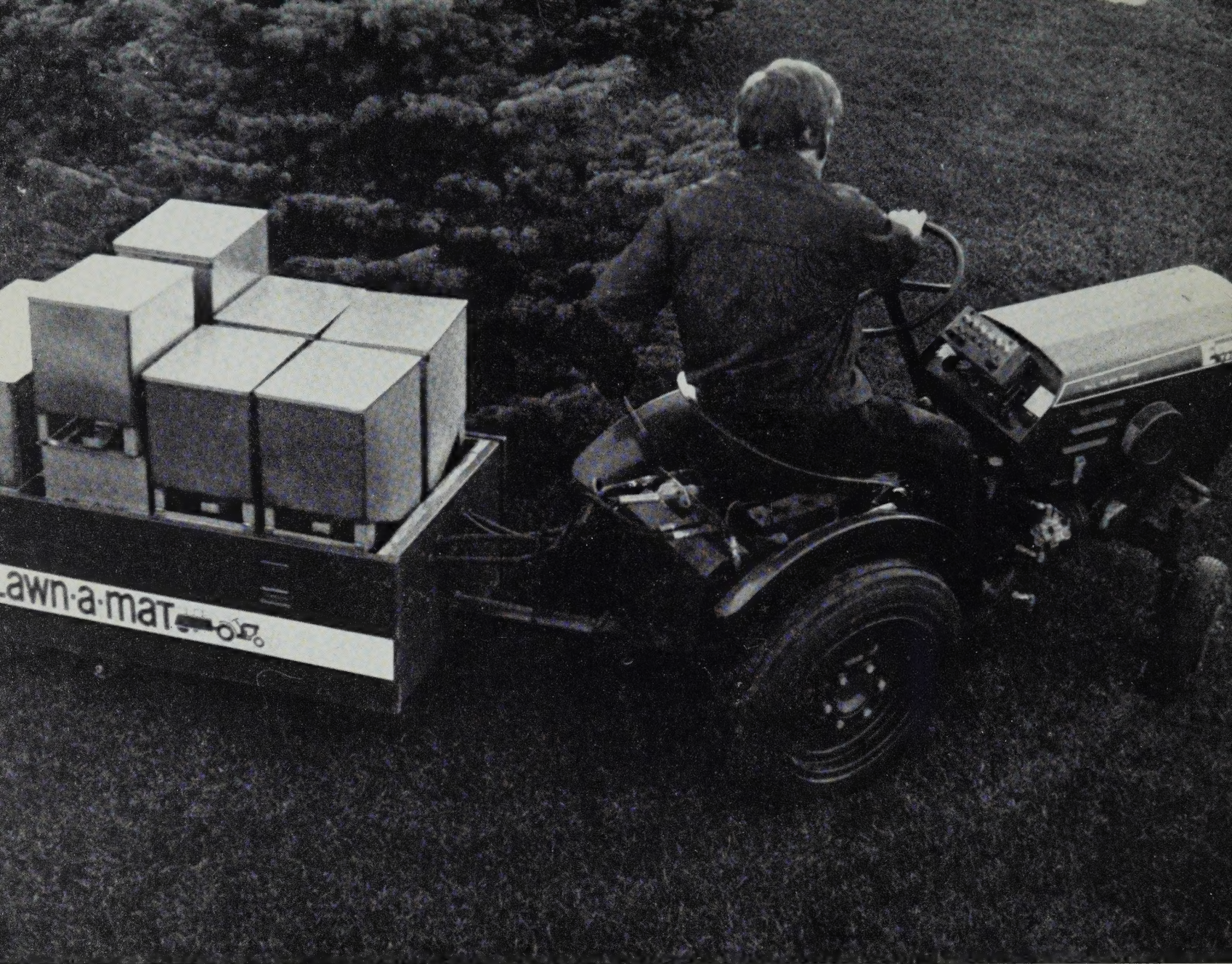
CHAIRMAN'S REPORT TO THE SHAREHOLDERS

In my capacity as Chairman of the company, I submit on behalf of the Board of Directors and the management our second annual financial statement as a public company along with a report on our company's operations.

The most significant highlight in the company's financial report is the encouraging net earnings achieved. This has allowed the company to continue its optimistic outlook for the current fiscal year.

The year 1975 was essentially one of consolidation within the Lawn-A-Mat division and also expansion by the company in other areas, allowing it to achieve a position of strength with an organization of wide horticultural interests.

Our corporate short term goals are to expand and strengthen the management team; to maintain the natural growth trend established by the Lawn-A-Mat division and to extend the company's expansion in the areas of retail stores, greenhouses, leasing and tropical plant maintenance; also, we intend to publish on a regular basis a Canadian consumer horticultural magazine.



LAWN-A-MAT

The Lawn-A-Mat division was formed in 1971 to provide Canadian homeowners in major urban centres with a professional lawn care service. Under our registered trademark, Lawn-A-Magic, we have developed and formulated high quality lawn chemical products which are distributed and applied by our trained and licensed personnel and dealers.

In 1975 throughout Ontario and British Columbia, this division registered a 55% increase in gross company revenue. It is my opinion that this growth will continue.

RETAIL STORES

This division operates three retail stores in Metropolitan Toronto.

The Garden Path Shoppe – in the Manu-Life Center – Bay and Bloor

Mermaid Florist – in the Towne and Countryside Square – Yonge and Steeles

The Flower Power Shop – in the Ontario Hydro Building – University and College

Through Greenskeeper's stores, we are able to maintain a year-round customer relationship providing house plants and cut flowers as well as promoting seasonal lawn care.

EASTERN GREENHOUSES

Our growing division consists of an eighty acre farm with four greenhouses located in Thornton, Ontario and is responsible for providing our wholesale and retail divisions with many of their products.

Through our wholesale division, which includes an additional 22,000 square feet of greenhouses at Warden and Steeles Avenue in Toronto, Ontario, the company imports and distributes a wide variety of tropical and foliage plants.

TROPICAL PLANTS, LEASING AND MAINTENANCE DIVISION

This new division is actively involved in the leasing and maintenance of tropical and foliage plants to major commercial and industrial enterprises. Our company maintains a trained staff to service and care for the plants on a regular basis.

PUBLISHING

In 1976 we expect to publish and distribute Canada's first horticultural consumer magazine under the name "Canada Green", which it is felt will allow the company to communicate directly to the consumer about the horticultural industry and our expanding role in it.

PERSONNEL

1975 was a year of expansion of our management team; from within the company ranks several promotions involving increased responsibilities took place. Mr. William Drew became manager of Lawn-A-Mat of Ontario; Mr. Paul Hunter took over the responsibilities of our Ottawa development; Mr. Charles Egleston was moved back to head office to once again assume the duties of company agronomist. Mr. Mel Gunn remains head of our British Columbia operations.

We were fortunate through our recent acquisition of the assets of Laurids Sorensen and Sons Ltd. to engage the services of Mr. Laurids Sorensen, with his many years of horticultural background to continue to head up the Eastern Greenhouses division.

Mr. Stephen Light, C.A. recently joined the company as its controller.

The duties of operating the daily business functions, with which I have been engaged on an interim basis, were assumed December 1, 1975 by Mr. Harry Rosenberg who joined our company as President.

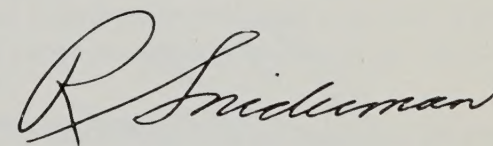
His business career began in 1946 following his honourable discharge from the R.C.A.F. He and two partners started an automotive venture which eventually grew into one of southern Ontario's largest wholesaling operations.

Mr. Rosenberg was also one of the Directors and founders of Moto-Rite Ltd. which became one of the largest automotive warehouse distributors in Canada.

Since the inception of The Greenskeeper Inc., Mr. Rosenberg has been a Director and advisor to the company.

This is part of the team that is committed to developing The Greenskeeper Inc. into a real part of the Canadian horticultural industry.

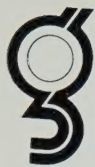
Respectfully submitted,



Richard Sniderman
Chairman of the Board

April 1st, 1976





The Greenskeeper Inc.

BALANCE SHEET

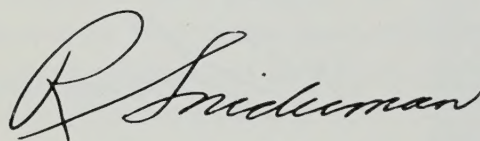
as at November 30, 1975

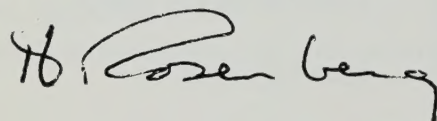
(Note 1)

ASSETS

	1975	1974
CURRENT ASSETS	\$	\$
Cash and bank deposit receipts	—	66,832
Accounts receivable (Note 8)		
Trade	159,681	43,401
Other	53,550	16,406
Due from shareholder	4,000	—
Inventory	204,589	33,649
10% Demand notes receivable	—	26,273
Current portion of balances and loans receivable	58,606	31,860
Prepaid expenses and sundry assets	15,819	3,999
	<u>496,245</u>	<u>222,420</u>
 BALANCES RECEIVABLE ON FRANCHISE, DISTRIBUTORSHIP AND LEASE AGREEMENTS — less current portion and provision for uncollected amounts	 38,934	 98,368
 SHARE SUBSCRIPTIONS RECEIVABLE — less current portion	 202,500	 213,750
 FIXED ASSETS (Notes 4 and 8)	 486,104	 229,769
 OTHER ASSETS (Note 5)	 121,837	 1,855
	<u>1,345,620</u>	<u>766,162</u>

SIGNED ON BEHALF OF THE BOARD

 Director

 Director

LIABILITIES

	1975	1974
CURRENT LIABILITIES	\$	\$
Bank advances	11,894	2,358
Accounts payable and accrued liabilities	303,805	49,499
Advance receipts from customers	11,622	6,160
Loans payable	6,672	18,062
Due to shareholders (Note 8)	84,156	—
Current portion of long-term debt	36,963	—
Current portion of deferred revenue	81,473	90,554
Provision for repurchase of franchises and leases	—	25,000
	<u>536,585</u>	<u>191,633</u>
DEFERRED REVENUE – less current portion	87,836	190,089
LONG-TERM DEBT – less current portion (Notes 6 and 8)	<u>226,097</u>	<u>—</u>

SHAREHOLDERS' EQUITY

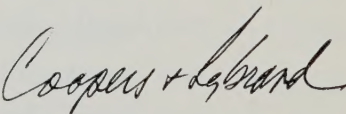
CAPITAL STOCK (Note 7)		
Authorized		
2,000,000 Common shares without par value		
Issued and fully paid		
907,785 Common shares	983,606	883,606
DEFICIT	(488,504)	(499,166)
	<u>495,102</u>	<u>384,440</u>
	<u>1,345,620</u>	<u>766,162</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Greenskeeper Inc. as at November 30, 1975 and the statements of earnings, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at November 30, 1975 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year with the exception of the treatment of store development costs referred to in Note 1(e).

Hamilton, Ontario
February 3, 1976


Chartered Accountants



The Greenskeeper Inc.

STATEMENT OF EARNINGS

for the year ended November 30, 1975

(Note 1)

	1975 \$	1974 \$
GROSS REVENUE		
Income from franchises	356,902	279,251
Lawn-A-Mat division	350,259	225,581
Retail stores	84,046	—
Growing and wholesale	267,840	—
Leasing and tropical plant maintenance	36,124	—
	<u>1,095,171</u>	<u>504,832</u>
EXPENSES		
Cost of sales	398,449	179,054
Operating expenses	619,708	408,307
Depreciation and amortization	63,344	61,706
Interest on long-term debt	5,172	3,505
	<u>1,086,673</u>	<u>652,572</u>
GAIN ON SALE OF EQUIPMENT (Note 9)	<u>2,164</u>	<u>—</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>10,662</u>	<u>(147,740)</u>
EXTRAORDINARY ITEMS		
Licence written off	—	14,457
Expenses of public issue	—	29,930
	<u>—</u>	<u>44,387</u>
NET EARNINGS (LOSS) FOR THE YEAR (Note 12)	<u>10,662</u>	<u>(192,127)</u>

STATEMENT OF DEFICIT

for the year ended November 30, 1975

(Note 1)

	1975 \$	1974 \$
BALANCE — BEGINNING OF YEAR	499,166	307,039
Net (earnings) loss for the year	<u>(10,662)</u>	<u>192,127</u>
BALANCE — END OF YEAR	<u>488,504</u>	<u>499,166</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended November 30, 1975

(Note 1)

	1975 \$	1974 \$
SOURCE OF FUNDS		
Earnings (loss) for the year	10,662	(192,127)
Items not affecting funds –		
Depreciation and amortization	63,344	61,705
Licence written off	—	14,457
Franchise and lease income recognized	(81,473)	(85,144)
Increase in provision for collectibility of franchise and lease income	8,163	6,900
Cost of dealership repurchase written off	—	13,013
Gain on sale of equipment	(2,164)	—
	<u>(1,468)</u>	<u>(181,196)</u>
Proceeds from disposal of fixed assets	153,526	740
Increase in current portion of balances receivable	15,986	—
Reduction of balances receivable on franchise, distributorship and lease income, net of current portion	26,285	73,963
Current portion of share subscriptions receivable	11,250	11,250
Proceeds from issue of common shares	100,000	—
Proceeds on long-term debt	226,097	—
Cash received and demand note converted for common shares	—	383,526
	<u>531,676</u>	<u>288,283</u>
USE OF FUNDS		
Purchase of fixed assets	463,966	71,932
Purchase of goodwill	95,220	—
Decrease in current portion of balances receivable	—	40,150
Deferred development expenditures	31,837	—
Additional costs of incorporation	—	1,630
Change in deferred revenue as follows:		
Cancellation of franchise agreements	20,861	17,363
Franchise and lease sales	—	(33,000)
Increase (decrease) in current portion	(9,081)	7,075
Increase in investment in balances receivable	—	34,037
	<u>602,803</u>	<u>139,187</u>
INCREASE (DECREASE) IN FUNDS	<u>(71,127)</u>	<u>149,096</u>
WORKING CAPITAL (DEFICIENCY) – BEGINNING OF YEAR	<u>30,787</u>	<u>(118,309)</u>
WORKING CAPITAL (DEFICIENCY) – END OF YEAR	<u>(40,340)</u>	<u>30,787</u>



The Greenskeeper Inc.

NOTES TO FINANCIAL STATEMENTS

for the year ended November 30, 1975

1. Significant Accounting Policies

(a) Franchise Revenue

Income from the sale of franchises is recognized over the terms of the agreement to the extent cash has been received. Continuing franchise fees are reported as revenue as franchise work orders are taken.

(b) Lease Income

For equipment placed with franchisees on lease, income is recognized over the terms of the lease to the extent cash has been received.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value, with cost being determined substantially on a first-in, first-out basis.

(d) Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on a declining balance or straight-line basis as follows:

	Rate %	Basis
Buildings	5 and 10	D.B.
Leasehold improvements	20	S.L.
Equipment	20	S.L.
Furniture and fixtures	20	D.B.
Vehicles	30	D.B.

During the year the company changed its method of charging depreciation from writing a full year's depreciation in the year of acquisition and none in the year of disposal to writing depreciation from the date of acquisition to the date of disposal.

(e) Development Costs

The costs of developing new stores and branches are capitalized in the years incurred. These costs are amortized over three years. This is a departure from previous years when all developments costs were expensed when incurred.

2. Business Acquired

Pursuant to a purchase agreement completed in the current year, the business operated by Laurids Sorensen and Sons Limited was acquired for a total consideration of \$567,374.

This acquisition is accounted for as follows:

	\$
Net assets acquired – Current	159,374
– Fixed	320,000
– Goodwill	88,000
	<u>567,374</u>
Consideration – Cash	40,000
– Current liabilities	199,649
– Notes payable	227,725
– Common shares	100,000
	<u>567,374</u>

3. Security for Operators' Loans

The company has pledged certain equipment as security for franchise operators' loans from the Federal Business Development Bank totalling \$6,434 (1974 – \$14,000).

4. Fixed Assets

	1975			1974
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Land	100,930	—	100,930	—
Buildings	210,430	7,615	202,815	—
Leasehold improvements	92,665	5,541	87,124	6,913
Equipment	37,488	12,105	25,383	176,747
Furniture and fixtures	33,290	11,662	21,628	13,637
Vehicles	95,189	46,965	48,224	32,472
	<u>569,992</u>	<u>83,888</u>	<u>486,104</u>	<u>229,769</u>

5. Other Assets

	Cost	Amortization To Date	Unamortized Balance	
	\$	\$	1975 \$	1974 \$
Goodwill	95,220	—	95,220	—
Deferred development costs	31,837	7,075	24,762	—
Organization expense	1,855	—	1,855	1,855
	<u>128,912</u>	<u>7,075</u>	<u>121,837</u>	<u>1,855</u>

6. Long-Term Debt

	\$
(1) Finance contract, payable in monthly instalments of \$180, due March 10, 1978	5,133
(2) Finance contract, payable in monthly instalments of \$17, due April 1, 1978	527
(3) 9% Note, payable in annual instalments of \$8,000, due June 16, 1978	24,000
(4) 9½% Promissory note, payable to shareholder in annual instalments of \$20,000 to July 1, 1982 and \$23,000 on December 31, 1982, the due date	163,000
(5) 10.2% Mortgage, payable in monthly instalments of \$550, due July 23, 1986	70,400
	<u>263,060</u>
Less: Current portion	36,963
	<u>226,097</u>

Principal due within the next five years is as follows:

	\$
1976	36,963
1977	36,963
1978	35,534
1979	26,600
1980	26,600
	<u>162,660</u>

7. Capital Stock

	Number of Shares	Amount \$
Balance — November 30, 1974	867,785	883,606
Issued (Note 2)	40,000	100,000
Balance — November 30, 1975	<u>907,785</u>	<u>983,606</u>

8. Security for Indebtedness

Shareholders loans and the mortgage payable are secured by an assignment of book debts and a charge on the land and buildings.

9. Sale and Leaseback

On July 1, 1975 the company entered in a sale and leaseback arrangement for certain equipment.

The equipment was sold for \$150,000 and leased back for five years at \$45,000 annually. The sale resulted in a gain of \$2,164 which has been recorded in the accounts in the current year.

10. Contingent Liabilities and Commitments

- (a) The company has guaranteed the bank loans of certain franchisees totalling \$14,404 (1974 — \$20,447).
- (b) The company has commitments under leases extending through 1985. Minimum rentals (exclusive of additional rents based on sales, realty taxes and other charges) for each of the next five years are: \$

1976	59,648
1977	58,175
1978	56,675
1979	52,779
1980	26,992

11. Executive Remuneration

Direct remuneration paid to the directors and senior officers amounted to \$86,105 (1974 — \$104,767).

12. Earnings per Common Share

	1975	1974
Earnings (loss) before extraordinary items	1.2¢	(19.5¢)
Earnings (loss) for the year	1.2¢	(25.3¢)

The calculation of basic earnings per share has been made using the weighted monthly average number of common shares outstanding in each year.

13. Comparative Figures

Comparative 1974 figures have been reclassified to conform with the 1975 statement presentation.

14. Income Taxes

The loss carry forward for tax purposes, which has not been recorded in the accounts, amounts to \$183,621. The tax benefits relating to this loss carry forward are available as follows:

	\$
Until November 30, 1979	150,000
1980	33,621
	<u>183,621</u>

The accumulated tax losses have been reduced by not claiming capital cost allowance and reserves available for tax purposes in the amount of \$228,297.

